

EMPLOYER HEALTH BENEFITS
2004 ANNUAL SURVEY

Employee
Coverage,
Eligibility, and
Participation

SECTION

3

EMPLOYEE COVERAGE, ELIGIBILITY, AND PARTICIPATION

EMPLOYERS ARE THE PRINCIPAL SOURCE OF HEALTH INSURANCE IN THE U.S., PROVIDING HEALTH BENEFITS TO ABOUT 63% OF NONELDERLY PERSONS IN 2002.⁴ ALTHOUGH THE PERCENTAGE OF WORKERS RECEIVING HEALTH INSURANCE THROUGH THEIR OWN EMPLOYER HAS EXHIBITED ONLY SLIGHT ANNUAL DECLINES, THE CUMULATIVE DROP SINCE 2001 IS OVER FOUR PERCENTAGE POINTS. THE MAJORITY OF THIS DECLINE IS AMONG ALL SMALL FIRMS (3-199 WORKERS). AS A CONSEQUENCE, WE ESTIMATE THAT THERE ARE AT LEAST FIVE MILLION FEWER JOBS PROVIDING HEALTH INSURANCE IN 2004 THAN IN 2001.

MOST WORKERS ARE OFFERED HEALTH COVERAGE AT WORK, AND THE VAST MAJORITY OF WORKERS WHO ARE OFFERED COVERAGE TAKE IT. WORKERS WITHOUT COVERAGE THROUGH THEIR OWN EMPLOYER MAY NOT BE OFFERED COVERAGE BY THEIR FIRM, MAY BE INELIGIBLE FOR BENEFITS OFFERED BY THEIR FIRM, OR MAY REFUSE AN OFFER OF COVERAGE FROM THEIR FIRM.

- ▶ Among firms offering health benefits, 67% of workers are covered by their own firm's health plan, a similar rate to last year (EXHIBIT 3.2).
- *Despite only small annual declines in the percentage of workers receiving coverage through their own employer, coverage (in firms both offering and not offering health benefits) decreased significantly between 2001 and 2004 from 65% to 61%. The majority of this decline in the number of jobs with health insurance is among all small firms (3-199 workers) (EXHIBIT 3.1).*
- *Coverage rates do not differ significantly by firm size, but they do vary by industry, likely due to differences in eligibility. The coverage rate for workers in the retail industry is 47%, compared to 84% for state and local government workers and 82% for those working in the transportation, communication, and utility industries (EXHIBIT 3.2).*
- *Higher wage firms—where fewer than 35% of workers earn \$20,000 or less annually—have higher coverage rates than lower wage firms—where 35% or more of workers earn \$20,000 or less annually. Seventy percent of workers in higher wage firms that offer health benefits are covered, compared to 46% of workers in lower wage firms offering benefits.*
- ▶ Even in firms that offer coverage, not all employees are eligible for their firm's health benefits. Additionally, not all employees with an offer of health coverage participate in it. The number of workers covered is a product of both the percentage of workers who are actually eligible for the firm's health insurance and the percentage who choose to "take up" (i.e., elect to participate in) the benefit.

NOTE:

⁴ Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured. *Health Insurance Coverage in America: 2002 Data Update*, December 2003.

- Eligibility for health benefits does not vary by firm size and is unchanged from last year. Overall, 80% of workers in firms offering health benefits are eligible for coverage (EXHIBIT 3.2).
- Employees who are offered coverage through their employer generally elect to participate in it (the “take-up” rate). Eighty percent of workers in all small firms (3-199 workers) take up coverage, similar to 83% of workers in all large firms (200 or more workers) who choose to participate. These numbers are statistically unchanged from 2003, but the percentage of workers who take up coverage in all small firms is statistically different from 2001 (84%) (EXHIBITS 3.2, 3.3).
- The take-up of employer-sponsored coverage varies somewhat by industry. Workers in retail have a lower take-up rate (77%) than workers in other industries. Ninety-four percent of workers in state/local government and 92% of workers in the transportation, communication, and utility industries take up an offer of employer-sponsored coverage (EXHIBIT 3.2).
- The likelihood of accepting a firm’s offer of coverage varies by firm wage level. Employees in higher wage firms—where fewer than 35% of workers earn \$20,000 or less annually—are more likely to take up coverage (84%) than employees in lower wage firms (35% or more of workers earn \$20,000 or less annually) (71%).
- ▶ One aspect of coverage affecting eligibility is new employees’ waiting period for coverage. Eighty-two percent of covered workers in all small firms (3-199 workers) and 65% of covered workers in all large firms (200 or more workers) work for a firm that imposes a waiting period on new employees before they are eligible for coverage. The average waiting period for coverage is unchanged from last year at 1.6 months (EXHIBIT 3.5).

EXHIBIT 3.1

Percentage of Workers Covered by Their Employer's Health Benefits, in Firms Both Offering and Not Offering Health Benefits, by Firm Size, 2000-2004*

	2000	2001	2002	2003	2004
FIRM SIZE					
3-24 Workers	50%	49%	45%	44%	43%
25-49 Workers	63	62	57	59	56
50-199 Workers	62	67	64	61	56
200-999 Workers	69	71	69	68	69
1,000-4,999 Workers	68	69	70	69	68
5,000 or More Workers	66	69	68	68	67
ALL SMALL FIRMS (3-199 WORKERS)	57%	58%	54%	53%	50%
ALL LARGE FIRMS (200 OR MORE WORKERS)	67%	69%	69%	68%	68%
ALL FIRMS	63%	65%	63%	62%	61%

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2001, 2002, 2003, 2004.

* Tests found no statistically different estimates from the previous year shown at $p < .05$.

Note: The total percentage of covered workers in this figure is calculated from the universe of all workers – including those in firms that do not offer coverage.

EXHIBIT 3.2

Eligibility, Take-Up Rates, and Coverage in Firms Offering Health Benefits, by Firm Size, Region, and Industry, 2004

	<i>Percentage of Workers Eligible for Health Benefits Offered by Their Employer</i>	<i>Percentage of Workers Who Participate in Their Employers' Plan (Take-Up Rate)</i>	<i>Percentage of Workers Covered by Their Employers' Health Benefits</i>
FIRM SIZE			
Small (3-24 Workers)	86%*	78%	67%
Small (25-49 Workers)	82	78	65
Small (50-199 Workers)	73*	83	61
ALL SMALL FIRMS (3-199 WORKERS)	80	80	64
Midsize (200-999 Workers)	82	84	70
Large (1,000-4,999 Workers)	80	84	68
Jumbo (5,000 or More Workers)	80	83	67
ALL LARGE FIRMS (200 OR MORE WORKERS)	81%	83%	68%
REGION			
Northeast	81%	79%	64%
Midwest	82	83	69
South	81	83	68
West	77	82	64
INDUSTRY			
Mining/Construction/Wholesale	78%	80%	61%
Manufacturing	91*	87*	80*
Transportation/Communication/Utility	90*	92*	82*
Retail	62*	77*	47*
Finance	88*	84	73*
Service	76	76*	59*
State/Local Government	90*	94*	84*
Health Care	77	84	65
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	80%	82%	67%

SOURCE:

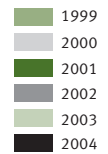
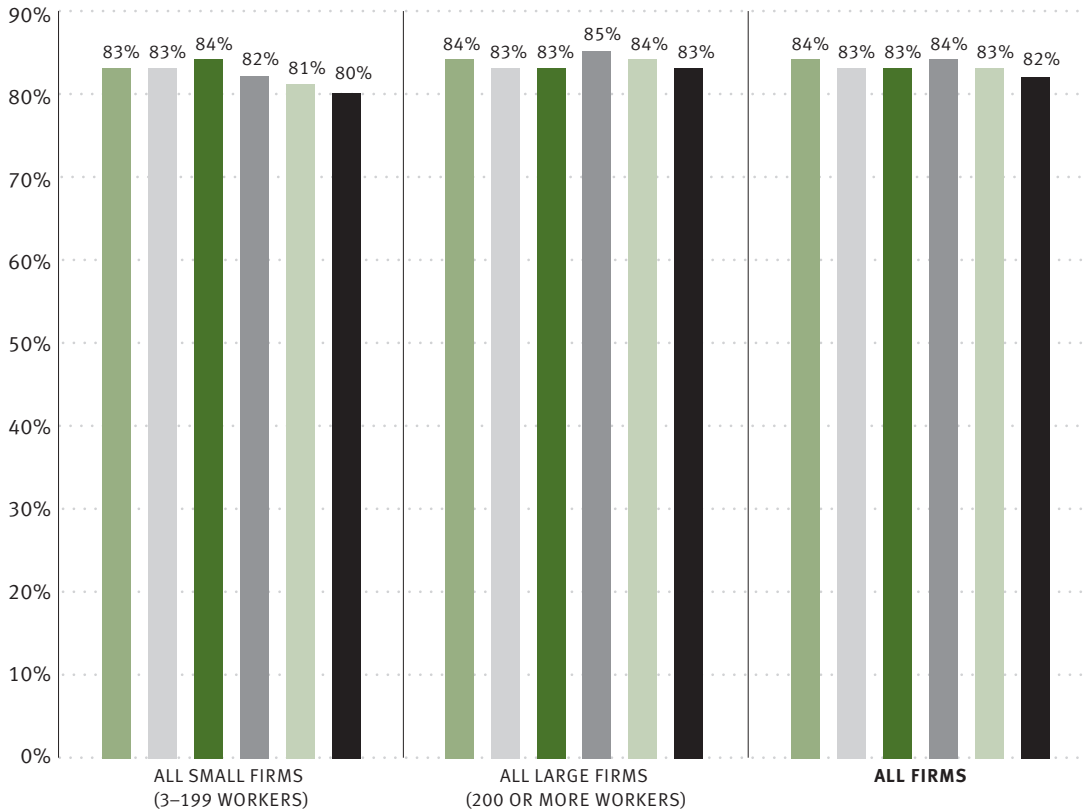
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

* Estimate is statistically different from All Firms at $p < .05$.

Take-up rate: The percentage of eligible workers who choose to participate in health benefits offered by their employer.

EXHIBIT 3.3

Percentage of Workers in Firms Offering Health Benefits Who Participate in (Take-up) Their Employer's Health Plan, by Firm Size, 1999-2004*



SOURCE :

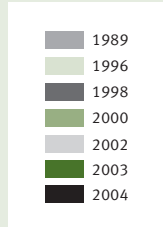
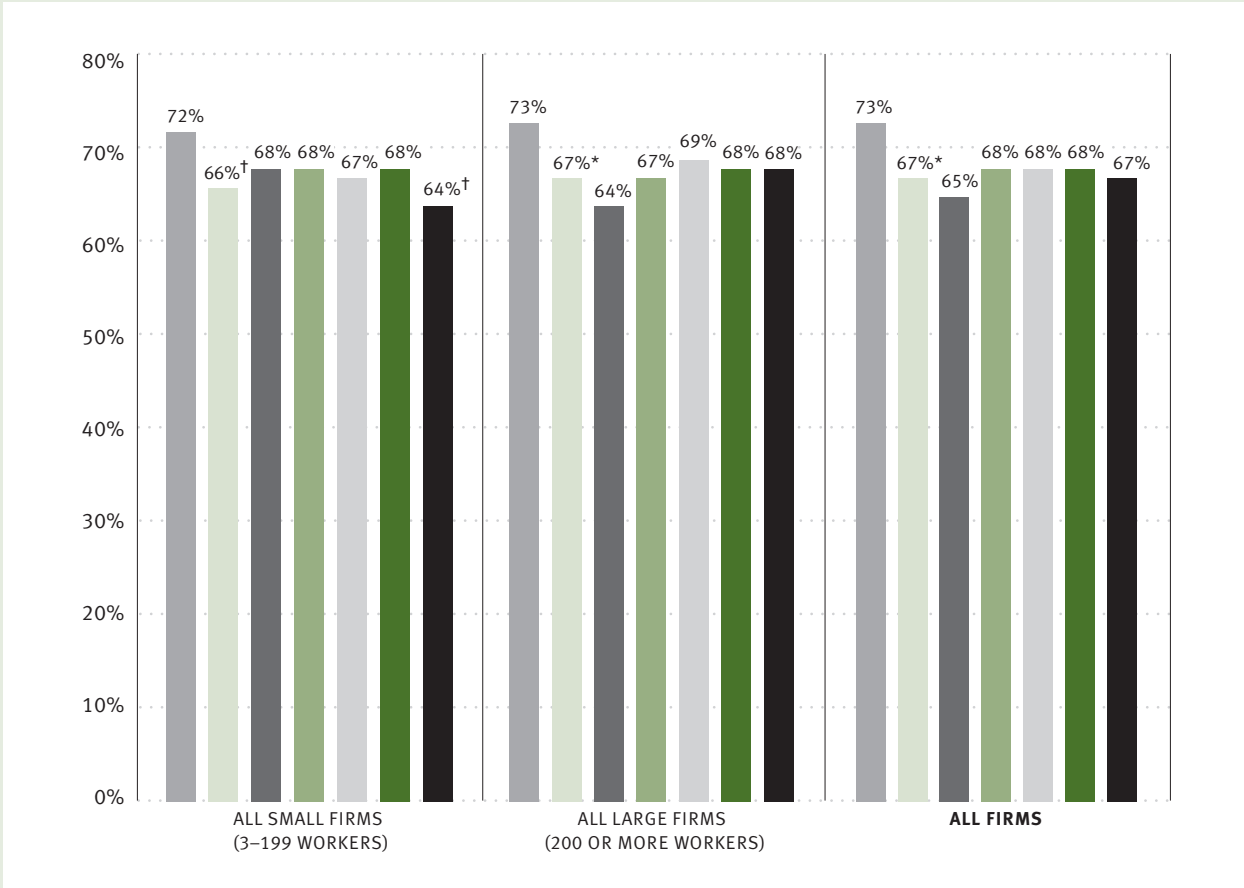
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003, 2004.

* Tests found no statistically different estimates from the previous year shown at $p < .05$.

Take-up rate: The percentage of eligible workers who choose to participate in health benefits offered by their employer.

EXHIBIT 3.4

Percentage of Workers in Firms Offering Health Benefits Who Are Covered by Their Employer's Health Plan, by Firm Size, 1989-2004



SOURCE :

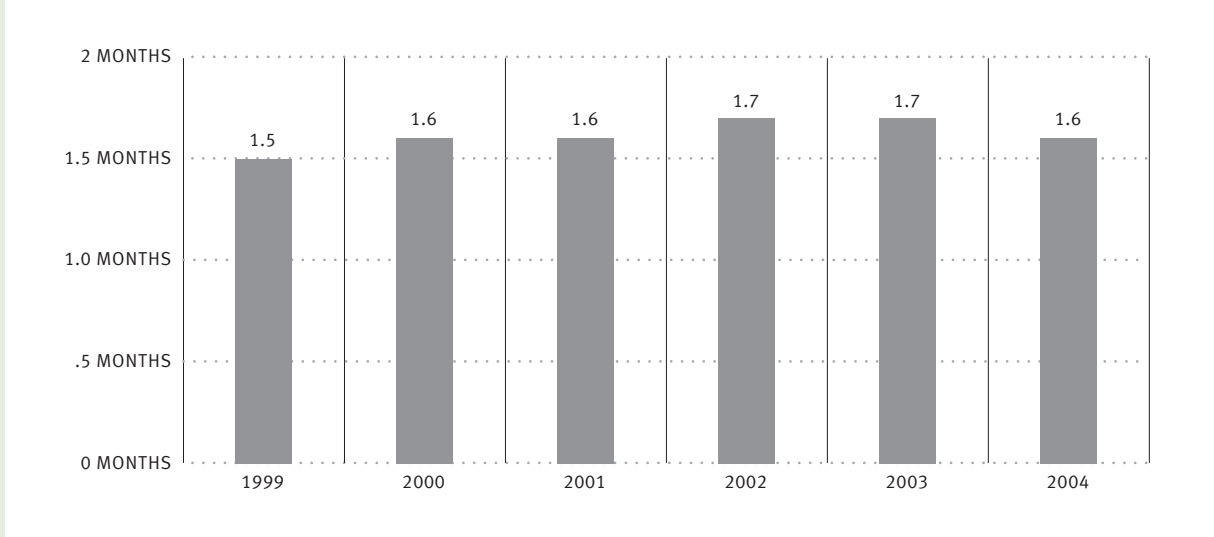
Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2000, 2002, 2003, 2004;
 KPMG Survey of Employer-Sponsored Health Benefits: 1996, 1998;
 The Health Insurance Association of America (HIAA): 1989.

* Estimate is statistically different from the previous years shown at $p < .05$.

† Estimate is statistically different from the previous year shown at $p < .10$.

EXHIBIT 3.5

Average Waiting Period for New Employees to be Eligible for Health Coverage, 2004*



SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 1999, 2000, 2001, 2002, 2003, 2004.

* Tests found no statistically different estimates from the previous year shown at $p < .05$.

EXHIBIT 3.6

Average Waiting Period for New Employees to be Eligible for Health Coverage, by Firm Size, Region, and Industry, 2004

	Average Wait for Health Coverage (Months)
FIRM SIZE	
ALL SMALL FIRMS (3-199 WORKERS)	2.1*
Midsize (200-999 Workers)	1.6
Large (1,000-4,999 Workers)	1.6
Jumbo (5,000 or More Workers)	1.2*
ALL LARGE FIRMS (200 OR MORE WORKERS)	1.3*
REGION	
Northeast	1.5
Midwest	1.3*
South	1.7
West	1.8
INDUSTRY	
Mining/Construction/Wholesale	2.4*
Manufacturing	1.3*
Transportation/Communication/Utility	1.3
Retail	2.8*
Finance	1.3
Service	1.5
State/Local Government	1.2*
Health Care	1.5
ALL FIRM SIZES, REGIONS, AND INDUSTRIES	1.6 MONTHS

SOURCE :

Kaiser/HRET Survey of Employer-Sponsored Health Benefits: 2004.

* Estimate is statistically different from All Firms at $p < .05$.